

Message Text

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ACTION EUR-12

INFO OCT-01 NEA-06 ISO-00 SP-02 AID-05 EB-07 NSC-05 RSC-01

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FM AMEMBASSY BONN

TO SECSTATE WASHDC 6587

INFO AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY BRUSSELS

AMEMBASSY THE HAGUE

USMISSION EC BRUSSELS

USMISSION OECD PARIS

AMEMBASSY KUWAIT

AMCONSUL STUTTGART

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E.O. 11652: N/A

TAGS: ENRG, EINV, EFIN, GW, KU

SUBJECT: KUWAIT PURCHASE OF A SHARE OF DAIMLER-BENZ

REF: STUTTGART 1017 (NOTAL)

1. FRG ECON MINISTRY ANNOUNCED

TODAY THAT KUWAIT HAS PURCHASED APPROXIMATELY 14 PERCENT OF THE SHARES OF THE GERMAN AUTOMOBILE MANUFACTURER DAIMLER-BENZ. NEWS OF THE SALE WAS

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MADE PUBLIC OVER THE WEEKEND BUT THE IDENTITY OF THE BUYER WAS KEPT SECRET. ACCORDING TO PRESS REPORTS,

THE VALUE OF THE TRANSACTION IS ESTIMATED AT AROUND DM900 MILLION. IN CONTRAST TO THE EARLIER PURCHASE OF 25 PERCENT OF A KRUPP STEEL ENTERPRISE BY IRAN, THE PURCHASE OF DAIMLER-BENZ DOES NOT CARRY WITH IT A SEAT ON THE BOARD OF DIRECTORS.

2. THE REACTION OF BOTH THE GOVERNMENT AND OPPOSITION TO THIS SALE HAS REFLECTED CONSIDERABLE ANXIETY FOCUSING PRINCIPALLY ON THE SECRECY SURROUNDING THE PURCHASER. ECONOMICS MINISTER FRIDERICH'S ANNOUNCED THAT THE GOVERNMENT WOULD INTRODUCE AN ORDINANCE REQUIRING NOTIFICATION OF SUCH TRANSACTIONS TO THE GOVERNMENT. SPECULATION ON THE BUYER HAD EARLIER CENTERED ON IRAN AND IRAQ.

3. OUR GOVERNMENT CONTACTS NOTE THAT WHILE EARLIER GOVERNMENT STATEMENTS CONFIRMED A POLICY OF WELCOMING SUCH AN INVESTMENT THE SECRECY SURROUNDING THIS TRANSACTION GIVES THEM CAUSE FOR CONCERN. OUR CONTACTS ARE ALSO NERVOUS ABOUT THE EFFECTS THAT THE PURCHASE OF PRIVATE INDUSTRIAL HOLDINGS BY FOREIGN GOVERNMENTS COULD HAVE ON GERMANY'S RELATIONS WITH THE PURCHASING COUNTRY.
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